



Douglas B. Foster
Commissioner

TEXAS DEPARTMENT OF SAVINGS & MORTGAGE LENDING

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RESIDENTIAL MORTGAGE LOAN ORIGINATOR

Professional Requirements Under SAFE¹

Texas House Bill 10 ("HB10"), the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009, was enacted into law on June 19, 2009, in order to bring the mortgage licensing laws of the State of Texas into compliance with the federal *Secure and Fair Enforcement for Mortgage Lending Act of 2008* ("SAFE Act"). The SAFE Act requires all states to pass mortgage licensing laws and regulations that meet or exceed certain national standards. More information about the SAFE Act can be found at:

http://www.csbs.org/AM/Template.cfm?Section=SAFE_Act.

Under HB10, all individuals meeting the definition in the law of a residential mortgage loan originator (RMLO) must meet new licensing requirements that are in compliance with the SAFE Act.

In order to comply with the new law, all individuals acting as residential mortgage loan originators must do the following:

MU4 filing with the Department of Savings and Mortgage Lending ("Texas SML")

All individuals acting as a residential mortgage loan originator (RMLO) must have filed or file a Form MU4² through NMLS with the Texas SML. Filing deadlines depend on the type of license required:

<u>License Type³</u>	<u>Filing Deadline</u>
• Mortgage Banker RMLOs	April 2 – May 31, 2010
• Financial Service Company Exclusive Agents	April 2 – May 31, 2010
• Credit Union Subsidiary Organization RMLOs	April 2 – May 31, 2010
• Auxiliary Mortgage Loan Activity RMLOs (includes Non-Profits Organizations)	April 2 – May 31, 2010
• Independent/Contracted RMLOs, Processors, & Underwriters	April 2 – May 31, 2010
• Mortgage Company RMLOs (formerly known as Mortgage Brokers and Loan Officers)	July 1 – August 31, 2010

¹ Requirements may be refined and dates adjusted as planning for transitioning to the NMLS advances.

² MU4 records cannot be activated until they are sponsored by and/or affiliated with a company through MU1/MU2/MU3 filings.

³ License types have not been finalized. The list provided is strictly a working model of categories that will require licensure under the SAFE Act. License types may be rolled up into fewer categories or further expansion may occur.

The SAFE Mortgage Loan Originator Test

All mortgage loan originators must pass the SAFE Mortgage Loan Originator Test, which is comprised of two components: a National Component and a State Component. MLOs must pass each Component with a score of 75% or higher.

National Component

Residential mortgage loan originators licensed by Texas SML on or before July 31, 2009, must pass the National Component prior to renewing a license through the NMLS for calendar year 2011.

Individuals acting as residential mortgage loan originators who were not licensed by Texas SML by July 31, 2009, as well as new entrants to the industry must pass the National Component before filing Form MU4 through NMLS.

If you have already passed the National Component of the SAFE Mortgage Loan Originator Test and your passing score is part of your RMLO record in NMLS, you do not need to take it again.

State Component

It is anticipated that the Texas SML State Component Test will be available to test takers mid-May 2010. Until its release, the current Texas SML Pre-licensing Mortgage Broker/Loan Officer Examination, offered by Pearson VUE, will be acceptable for fulfilling this requirement. Upon availability of the Texas SML State Component Test, the current examination will no longer be offered and will not be acceptable for meeting the testing requirement under the NMLS.

The SML will develop a process by which to certify to NMLS that the RMLO has completed the current Texas SML Pre-licensing Mortgage Broker/Loan Officer Examination. In order to participate in the certification process, an RMLO must have a Form MU4 filed through NMLS with Texas SML. A \$5 fee will be paid by the applicant to the NMLS for this certification. Such individuals are still required to pass the National Component.

Individuals acting as residential mortgage loan originators who are not licensed by the date of the Texas SML State Component Test availability, as well as new entrants to the industry must pass the Texas SML State Component before filing Form MU4 through NMLS.

Pre-Licensure Education Requirements

Residential mortgage loan originators must complete a minimum of 20 hours of pre-licensure education under HB10. Additional hours may be required depending on the MU4 being filed.

Residential mortgage loan originators who hold an unexpired Texas SML license and who have completed 20 or more hours of Texas SML approved education (Core, Ethics, and/or Continuing Education) at the time they transition to the NMLS may be certified by Texas SML as having fulfilled the pre-licensure requirements depending on the information that is available on their Texas SML licensing record. A \$15 fee will be paid by the applicant to the NMLS for this certification. In order to participate in the certification process, an RMLO must have created a record in NMLS and obtained a unique ID number.

Individuals not eligible for certification are required to complete a minimum of 20 hours of NMLS approved pre-licensure education before filing Form MU4 through NMLS. This includes any new applicants.

If the RMLO has already satisfied 20 hours of NMLS approved education in any state or have had education certified by another state, you are not responsible for the above.

It is anticipated that the Texas SML will continue to accept SML approved education courses for licensure through December 31, 2009. Beginning January 1, 2010, all educational requirements for a Texas SML-issued license must be met by completing NMLS approved education courses.

The Texas SML will no longer accept original or renewing course material from education providers beginning January 1, 2010.

Background Check

Criminal History

All individuals acting as residential mortgage loan originators must authorize a fingerprint background check through NMLS for the purpose of conducting a national criminal history background check through the Federal Bureau of Investigation when filing Form MU4 through NMLS. This requirement applies to all individuals, regardless whether you are currently licensed in the state or if you have previously submitted fingerprints for licensure.

NMLS will implement a comprehensive process which includes electronic fingerprint capture with locations throughout the state. NMLS anticipates this functionality to be available in January 2010.

Credit Report

All residential mortgage loan originators must provide authorization to obtain a credit report through NMLS. Texas SML will review the credit report provided through the NMLS as part of its determination of financial responsibility for each residential mortgage loan originator.

Additional information and details relating to background checks will be sent in a separate correspondence at a later date.

Continuing Education Requirements

In order to renew their license for calendar year 2012 all residential mortgage loan originators must complete 8 hours of NMLS approved Continuing Education during calendar year 2011.

Company Sponsorship of RMLO Licensees

The license status of all RMLOs will be considered "inactive" until the licensed RMLO is Sponsored by a licensed or registered company. Sponsorship requests are submitted by the company through NMLS.

Financial Requirements

Every licensed RMLO must be covered under the state-managed Mortgage Broker Recovery Fund. Each RMLO must participate in the Recovery Fund and do so through fees collected during the licensing process.

NMLS Call Report For Companies

It is statutorily required that every company employing state-licensed RMLOs must file an NMLS Mortgage Call Report through the NMLS. The NMLS Mortgage Call Report is a statement of condition of the company and its operations including financial statements and production activity volumes reported on a per state basis. Additional information concerning the NMLS Mortgage Call Report will be provided at a later date.

Additional Information Resources

For information and instructions regarding the Professional Requirements listed above visit the NMLS Resource Center:

<http://www.stateregulatoryregistry.org/NMLS//AM/Template.cfm?Section=Home3>

In addition, the Texas SML website offers state-specific information as it becomes available. Visit the Texas SML Website:

http://www.sml.state.tx.us/tdsml_important_information.html#safe_nmlsr

If you have specific questions, contact:

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